

HIGHLIGHTS OF FY 2001 PERFORMANCE

Treasury has three programmatic mission areas (Economic, Financial, and Law Enforcement), and one Management enabling goal. Highlights of FY 2001 performance are presented below for each area. More detailed information on Treasury's performance, as well as performance data for all of the 242 performance measures, can be found in Treasury's FY 2001 Program Performance Report.

Economic Mission: Promote Prosperous and Stable American and World Economies

There are two areas where Treasury's performance this past year was particularly critical to the nation: promoting U.S. economic growth in the face of an economic downturn, and maintaining U.S. international leadership in global economic issues and in implementing a visionary policy in the global war on terrorism.

Promoting U.S. Economic Growth

The past year presented a particularly challenging policy environment as growth of U.S. real gross domestic product (GDP) slowed sharply in the second half of 2000, followed by the U.S. economy entering a recession in March 2001. The September 11th attacks clearly made the contraction worse. The Secretary of the Treasury and the Offices of Economic Policy and Tax Policy developed and implemented the Administration's policy proposals for economic recovery through stimulus and tax relief.

Tax Relief Enacted. President Bush signed the Economic Growth and Tax Relief Reconciliation Act of 2001 into law on June 7. Treasury played a key role in developing this legislation, which created a new 10 percent tax bracket and will provide an estimated \$421 billion in tax relief within the next ten years. By 2010, provisions of this law will double the \$500 child tax credit, provide relief from the marriage penalty, eliminate the estate tax, and reduce marginal tax rates. The marginal tax rate declines will enhance long-run economic growth. During the third quarter of 2001, the IRS distributed some 83 million advance-payment checks totaling almost \$35 billion.

Economic Recovery and Stimulus. Following the September 11th attacks and the associated disruption of economic activity and declines in consumer and business confidence, Treasury developed proposals for economic recovery and stimulus as the President and Congress moved quickly to provide immediate funding for rebuilding and recovery and immediate aid for the airline industry. Treasury also participated in the development of proposals for economic stimulus. Early in October 2001, the President called on Congress to pass additional stimulus, with a focus on investment and business tax incentives, tax relief for lower income workers, and extended unemployment benefits.

Terrorism Risk Insurance. A domestic financial policy issue resulting from the September 11th terrorist attacks was that the insurance industry was unable to assess and price terrorism risk. It was not just the insurance industry at risk, but the U.S. economy. Treasury began working with Congress on a short-

term federal intervention to reduce costs of insurance coverage while ensuring that terrorism risk insurance remains available to all property and casualty insurance policyholders.

U.S. Leadership on Global Economic Issues

The U.S. economy is such a large part of the world economy, that as it started slowing significantly, the global economy also experienced a marked slowdown. Economic growth weakened sharply in most regions of the world, accompanied by a decline in trade growth and deteriorating financing conditions in emerging markets. Before the September 11th attacks, it appeared there was a reasonable prospect of recovery by late 2001; however, later data indicated that the economic situation before the attacks was weaker than earlier projected in a number of economies including the U.S., Europe, and Japan, and some emerging market economies in Asia and Latin America. Restoring a strong and sustainable global economy was a fundamental goal of U.S. and Treasury international efforts.

Trade Promotion Authority (TPA). To restore confidence, expand trade, and open export markets, the Administration placed enactment of U.S. TPA at the top of its trade legislative agenda. Treasury worked with the White House and other agencies to urge the Congress to enact TPA legislation to strengthen the President's authority to negotiate trade agreements. The House passed TPA in 2001, and the Senate will consider it in 2002.

Debt Relief for Heavily Indebted Poor Countries. Treasury added another 13 countries under the G-7 initiative to help the world's poorest countries reduce their debt burden if they commit to reform and use savings to increase investment in the social sectors. The unmanageable debt burdens of these poorest countries has often prevented them from making investments to fight diseases, reduce poverty and improve education. The U.S. committed \$600 million to this effort in 2001.

International Monetary Fund (IMF) Reform. Treasury continued its efforts to reform IMF so that it becomes an organization more consistently associated with success. Treasury pushed for fundamental reforms in the way the IMF does business and urged the IMF to improve its transparency and financial monitoring and to focus on its core areas of monetary, fiscal and exchange rate policy, and financial markets.

THE GLOBAL WAR ON TERRORISM

Combat Terrorist Financing. On September 23rd, President Bush launched the first offensive in the war on terrorism by signing Executive Order 13224 that froze U.S.-based assets of individuals and organizations involved with terror. Treasury took the lead in the financial front and led global efforts to combat the financing of terrorism. The Office of Foreign Assets Control (OFAC) and three new organizations with Treasury leadership (Foreign Terrorist Asset Tracking Center, Customs-led Operation Green Quest, and the Terrorist Financing Task Force) were instrumental in this effort. By the end of the year, 196 countries or jurisdictions around the world had committed to combat terrorist financing, 143 countries had orders in place blocking terrorist assets, and over \$68 million had been frozen globally by the U.S. and other countries.

Economic Sanctions. OFAC administered economic sanctions against the seven state sponsors of terrorism (Cuba, Iran, Iraq, Libya, North Korea, Sudan, and Syria), specific foreign terrorist

organizations (such as Hamas and Al-Qaida), and against individuals specially designated as terrorists. Property and interests in property owned by those organizations and individuals were blocked and all transactions for their benefit were prohibited. At the end of the year, 164 foreign entities and individuals had been added to the new list of Specially Designated Global Terrorists.

Anti-Terrorism Training. Customs began to address the critical issue of Anti-Terrorism training. Customs' Outbound Programs conducted seminars on Aviation Safety and Security/Anti-Terrorism. Outbound Programs procured \$10 million in non-intrusive inspection equipment for northern border security.

Financial Mission: Manage the Government's Finances

Treasury's financial functions were also essential to the nation's well-being. Treasury bureaus regulated national banks, the government securities markets, and federal- and state-chartered thrifts; sold and redeemed securities needed to finance the government; reported on the government's financial condition; collected income taxes and revenue from imports and from excise taxes on alcohol and tobacco products; improved government-wide financial management; disbursed payments to over 100 million citizens annually; and manufactured currency and coins for the Nation's commerce.

Government's Daily Cash Position. Treasury has the world's largest cash flow -- about \$3 trillion annually. To provide immediate flow and balance information and ensure that the Government's cash management minimized risk, Treasury closely monitored receipts and payments. Through its effective management of the Government's daily cash position, Treasury reduced the Government's borrowing costs.

Funds Management and Investment. Treasury effectively managed and invested funds in its custody; managed the \$2.5 trillion Federal Investment Program; and provided security investment services for more than 200 funds for numerous Federal agencies. The Secretary of the Treasury served as Managing Trustee for several of the government's largest investment funds, including Social Security, Highway, and Unemployment, which hold over \$1 trillion.

Move From Paper Checks to Electronic Payments. Treasury issued over one billion payments to more than 100 million businesses and people and continued to convert payments from paper checks to electronic funds transfers. For those individuals without a bank account, FMS designed the Electronic Transfer Account (ETA), a low-cost account that can be offered by Federally insured financial institutions. As of October 29th, nearly 600 financial institutions offered ETAs at more than 16,000 office and/or branch locations, an increase from approximately 7,000 locations at the end of FY 2000.

IRS Tax Collections. *In collecting income taxes due, both net revenue collected (\$1.9 trillion) and total enforcement revenue collected (\$33.8 billion) were indicators of IRS performance. While relatively even with FY 2000, both indicators were subject to drivers beyond the control of IRS such as the level of economic activity and offsets from the 2001 tax rebate.*

FMS Delinquent Debt Collection. Treasury's non-tax delinquent debt collection program, administered by FMS, yielded almost \$3.2 billion, an increase of over \$530 million over FY 2000 collections. All debt program collection tools showed increased collection. Administrative offsets increased by 48% over FY 2000 levels and cross-servicing collections exceeded FY 2000 collections by 38%.

Treasury Securities Auctions. BPD conducted approximately 160 auctions and issued more than \$2 trillion of securities to finance government operations. To maintain an efficient market for Treasury securities and to minimize uncertainty in world financial markets, securities auctions were completed and results announced within 60 minutes of close of the auction 95 percent of the time. Starting in FY 2002, the goal will be further tightened to 25 minutes.

**Law Enforcement Mission: Safeguard Our Financial Systems, Protect Our Nation's
Leaders, and Secure a Safe and Drug-Free America**

In addition to its role in the war on terrorism, Treasury can point to achievements in its many other law enforcement functions. Treasury helped foster a safer nation by combating violent crime, protecting the President and other officials, protecting our borders, preventing drug smuggling, suppressing counterfeiting, fighting money laundering, preventing financial crimes, and training the vast majority of Federal law enforcement personnel.

Combat Money Laundering. In September, Treasury released the *2001 National Money Laundering Strategy*. Its five goals are to: (1) focus law enforcement's efforts on the prosecution of major money laundering organizations and systems; (2) create and implement a uniform system that measures the government's anti-money laundering results; (3) maintain an effective regulatory regime that denies money launderers easy access to the financial sector; (4) enhance Federal, state, local, and international coordination in the fight against money laundering; and (5) strengthen international efforts to combat money laundering around the world. Treasury also led interagency efforts to strengthen the international effort to combat money laundering and supported the Financial Action Task Force in reviewing and evaluating non-compliant countries and territories.

Forfeited Revenue. One measure of how Treasury disrupts the flow of money derived from illegal activities is the application of forfeiture to the infrastructure of criminal enterprises, thereby limiting the ability of criminal organizations to continue their illegal activities. A total of \$254 million in forfeited revenue was deposited in the Treasury Forfeiture Fund. Some 78 percent of the forfeited cash resulted from high-impact cases (those with currency seizures in excess of \$100,000), exceeding the target goal of 75 percent.

Financial Crimes. Treasury enforcement bureaus worked cooperatively with the Department of Justice, and other state and local enforcement agencies to investigate and prevent money laundering and other financial crime. Federal, state, and local enforcement officials accessed Bank Secrecy Act data through the FinCEN Gateway program to support more than 9,000 cases, an almost 20% increase over FY 2000. In addition, FinCEN supported over 4,000 investigations and alerted investigative agencies over 2,000 times that one or more investigative agencies were interested in the same subject.

Dismantling Drug Smuggling. Interdicting illegal drugs entering the U.S. was a key component of the Nation's drug control strategy. Customs worked to disrupt and dismantle drug smuggling organizations through a unified intelligence, interdiction, and investigative effort. Although the total flow of narcotics into the U.S. remains unknown, Customs continued to make significant increases in pounds seized, number of seizures, and pounds per seizure. Treasury bureaus played an important role in arresting key members of organized drug smuggling groups.

Reducing Violent Crime. As part of a comprehensive firearms enforcement strategy announced by the President, ATF worked closely with other law enforcement agencies to shut down illegal gun markets and aggressively pursue persons who illegally possess firearms or use firearms in the commission of crime. This strategy resulted in an increase in the cumulative total of crime-related costs avoided to \$4.58 billion and the avoidance of 1,992,000 firearm-related crimes.

Secret Service Protective Mission. The Secret Service protected the President and other persons authorized Secret Service protection. A considerably greater effort was required to provide security when protectees traveled. The Secret Service measured protectee travel activity in terms of travel stops made by a protectee, and provided physical protection at over 6,000 travel stops. Another major component of Secret Service protective operations were the field agents' protective intelligence cases that involve an assessment of individuals or groups that may pose a threat to protectees of the Secret Service. The Secret Service closed 5,200 intelligence cases, an increase of 19 percent over FY 2000.

Management Enabling Goal: Continue to Build a Strong Institution

To effectively meet Treasury's programmatic goals, the Department provided strong and efficient management processes and administrative support. In addition, a focus on customer and employee satisfaction helped implement a "balanced" approach to our operations.

Support Achievement of Business Results. Treasury instituted processes to address workforce planning issues and to improve recruitment efforts, achieved an unqualified audit opinion and reduced the number of material weaknesses, exceeded its procurement competition and small business goals, and worked to ensure that its information systems were secure.

Improve Customer Satisfaction. Two Treasury bureaus surveyed their customers through the respected American Customer Satisfaction Index (ACSI). Taxpayers gave the IRS a 46% customer satisfaction favorability rating (compared to the 43% rating in FY 2000 and a 37% rating in FY 1999), indicating that public satisfaction with the IRS has been steadily rising over the last three years. The Mint received an ACSI score of 88 for its numismatic program, exceeding both its target of 85 and its FY 2000 score of 84.

Assess Employee Satisfaction. The IRS continued to survey its employees to assess employee satisfaction and improve the workplace environment. The overall level of employee satisfaction was 51%. The survey results fell below the target of 60% and below the FY 2000 level of 59%; the decline

may likely be attributed to the effects of the IRS reorganization. FLETC exceeded its 65% target on employee satisfaction, receiving a rating of 78% on their survey results.

MEASURING FOR RESULTS

The purpose of Treasury's strategic management effort is to improve *results* delivered to the American public. In its final performance plan for FY 2001 that the Department transmitted to Congress, as part of the FY 2002 budget, Treasury detailed its performance targets. Overall, the Department established 242 performance targets in FY 2001. Of these, 15 measures were either base-lined in FY 2001 or had no data available. Of the remaining 228 measures, Treasury met or exceeded 166 targets, did not meet 61 of its targets, and improved performance over FY 2000 for 110 measures.

Treasury-wide Performance Summary				
Total Measures	Targets Met	Targets Not Met	Other	Maximum or Improved Performance
242	166 (69%)	61 (25%)	15 (6%)	110 (46%)